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C O N F I D E N T I A L AMMAN 008228

SIPDIS

STATE PLEASE PASS TO USTR
STATE FOR NEA FRONT OFFICE, NEA/ELA, NEA/IPA
STATE ALSO FOR EB/TPP/ABT
COMMERCE/ITA/OTEXA - M. D'ANDREA

E.O. 12958: DECL: 10/17/2015

TAGS: ETRD KTEX ECON PREL IS JO

SUBJECT: AMENDED JORDAN-ISRAEL QIZ AGREEMENT

REF: A. MAZZE-SAUMS-LAWLESS EMAIL (10/14/05)

1B. AMMAN 7793

1C. TEL AVIV 5077

1D. AMMAN 4440

Classified By: CDA DANIEL RUBINSTEIN FOR REASONS 1.4 (B) AND (D)

11. (C) Ministry of Industry and Trade official Baha'a Al-Armouti passed to Econoff October 17 the initialed amendments to the 1997 Israel-Jordan Qualifying Industrial Zone Agreement. The changes reflect mutual understandings reached in September (Ref B). Armouti explained that the amendments to the agreement - and a proposed new Annex A - change the QIZ audit mechanism to a quarterly system that mirrors a QIZ agreement reached earlier between Israel and Egypt, except that the required Israeli content in Jordanian manufactured goods is stipulated to be eight percent, with no carry-forward provision (Ref B). NOTE: According to Armouti, arrangements must be made between buyers and sellers regarding any Israeli goods purchased by Jordanian manufacturers with the intent to contribute to the eight percent content but not subsequently used. The amounts for these goods cannot be held in escrow in quarterly audit accounts, to be applied to content in the next quarter. END NOTE.

12. (SBU) Post expects that a copy of the amended agreement will be formally forwarded to USTR under a cover letter from the Israeli and Jordanian trade ministers, seeking USG concurrence. Post is forwarding a copy of the initialed text to NEA/ELA and to USTR.

13. (SBU) Post conveyed to relevant GoJ officials the technical suggestions by U.S. Customs and Border Protection (Ref A) for a smooth-running system of lists of approved QIZ companies, with the preliminary understanding that these logistical issues would not need to be incorporated into the amended QIZ Agreement text. Please advise if there is additional information desired by Washington agencies regarding the amendments in advance of the final USG decision regarding this revised agreement.

RUBINSTEIN